ATLANTIC COAST COPPER CORPORATION LIMITED

ELEVENTH ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31

1967

ATLANTIC COAST COPPER CORPORATION
LIMITED

ELEVENTH ANNUAL REPORT

AUTHORIZED CAPITALIZATION	5,000,000 shares without par value.
DIRECTORS	M. J. BOYLEN, D.C.L., D.Sc. - - - - - Toronto 18, Ontario JAMES A. BOYLEN - - - - - - - - - - Malton, Ontario ROBERT W. DEMPSEY, D.E., P.Eng. - - - - - - Halifax, N.S. PETER WHITE, Q.C. - - - - - - - - - Toronto, Ontario GORDON F. PUSHIE - - - - - - - St. John's, Newfoundland
OFFICERS	M. J. BOYLEN, D.C.L., D.Sc - - - - - - - - *President* JAMES A. BOYLEN - - - - - - - - - - *Vice-President* GORDON L. MOORE - - - - - - - *Secretary-Treasurer* CHARLES B. BRANNIGAN - - - - *Assistant Secretary-Treasurer*
EXECUTIVE OFFICE	SUITE 908 - 330 BAY STREET - - - - - - Toronto, Ontario
MINE OFFICE	LITTLE BAY - - - - - - - - - - - Newfoundland
TRANSFER AGENT AND REGISTRAR	GUARANTY TRUST COMPANY OF CANADA 366 Bay Street, Toronto, Ontario
AUDITORS	MCDONALD, CURRIE & CO. - - - - - - Toronto, Ontario

DIRECTORS' REPORT

To the Shareholders:

Your Directors take pleasure in submitting, herewith, the Eleventh Annual Report of your Company for the year ended December 31st, 1967.

Comparative figures for the period under review and the preceding year, dealing with revenue, costs, and profits are shown in the financial statements elsewhere in this report. Complete production data and unit costs are contained in the Mine Manager's Report.

The installation of underground primary crushing facilities were completed in February 1967 and the results are reflected in the increased tonnage treated.

The Mine Manager's Report contains a review of the exploration program carried out through the year and planned for the current year. He states that development below the 1,650 foot level is still in the preliminary stage and not enough information is available for an ore estimate at this time.

There is sufficient ore in sight to feed the mill through 1968. Production beyond 1968 will depend upon results of our exploration program, which are to date very encouraging.

Copper production during 1968 is expected to be quite similar to that recorded in the year under review.

The outlook for profitability of the Company in 1968 is very bright indeed. An indication of this is shown by the first three months of operation which earned an estimated operating profit at the mine of \$160,000., using a copper price of 44.5¢ before application of interest, depreciation, preproduction written-off and Provincial Mining Tax. The last settlement price received for copper was 58.8309¢ per lb. (February 1968 sales). If this price prevails through to settlement, for metals produced in the quarter, the net operating profit (before provision for write-offs and taxes) will be increased by \$355,520. to a total of \$625,558. The average price received for concentrates settled for in 1967 was 49.3456¢.

Your Company retired a considerable amount of its debt during 1967. Since date of the Balance Sheet (refer to Note 2(e) of the notes to the Financial Statement), the Company has purchased and surrendered for cancellation $108,000. of its Sinking Fund Debentures. As of this date only $203,000. principal amount of Debentures maturing 1970, remain outstanding.

Your Directors wish to acknowledge with appreciation the competent and loyal services of Mr. Basil L. Jackson, Mine Manager, and his staff and employees.

We wish also to thank the various departments of the Newfoundland Government for their continued co-operation and assistance given to the Company's mining operation over the year.

On behalf of the Board,

M. J. Boylen

President.

Toronto, Ontario.
April 15th, 1968.

Balance Sheet as at December 31, 1967

ASSETS

	1967	1966
Current Assets	$	$
Cash	23,864	31,491
Short-term deposits and accrued interest	553,909	150,168
Net estimated amount receivable from sale of copper concentrates	1,441,830	1,162,156
Accounts receivable	59,956	79,895
Prepaid expenses	3,404	13,920
Special refundable tax — current portion	10,899	—
	2,093,862	1,437,630
Special Refundable Tax Including Accrued Interest Less Current Portion	40,103	71,433
Fixed Assets		
Plant and equipment — at cost, less accumulated depreciation (note 1)	1,005,249	1,176,731
Mining property — at value ascribed to 1,000,000 shares issued as consideration for the property with subsequent additions at cost	615,722	615,722
	1,620,971	1,792,453
Deferred Expenditure		
Materials and supplies — at cost	241,870	217,519
Preproduction expense, less amortization	—	254,391
Deferred development, less portion written off	103,544	131,561
Outside exploration, less portion written off	—	26,358
Debenture discount and expenses, less amortization	11,415	55,746
	356,829	685,575
	4,111,765	3,987,091

Signed on behalf of the Board:

M. J. BOYLEN, Director.
PETER WHITE, Director.

LIABILITIES

	1967 $	1966 $
Current Liabilities		
Accounts payable and accrued liabilities	181,623	158,864
Taxes payable	45,560	54,000
Current portion of long-term debt	300,000	200,000
	527,183	412,864
Long-Term Debt		
6¼% sinking fund debentures due July 4, 1970, less current portion (note 2)	65,000	846,000

SHAREHOLDERS' EQUITY

	1967 $	1966 $
Capital Stock		
Authorized — 5,000,000 shares without par value		
Issued and fully paid — 4,300,000 shares	3,390,000	3,390,000
Retained Earnings (Deficit)	129,582	(661,773)
	3,519,582	2,728,227
	4,111,765	3,987,091

Statement of Retained Earnings (Deficit)

For the Year Ended December 31, 1967

	1967 $	1966 $
BALANCE — BEGINNING OF YEAR	(661,773)	(1,574,472)
Net profit for the year	791,355	912,699
BALANCE — END OF YEAR	129,582	(661,773)

Statement of Earnings

For the Year Ended December 31, 1967

	1967 $	1966 $
MINE OPERATIONS		
Revenue —		
Copper concentrate production	3,711,978	3,889,646
Less: Marketing expenses	492,395	518,465
	3,219,583	3,371,181
Operating expenses —		
Mining	925,873	789,233
Milling	430,193	458,458
Mine general expenses	289,900	233,828
Administrative expenses	44,445	71,224
	1,690,411	1,552,743
MINE OPERATING PROFIT BEFORE THE FOLLOWING CHARGES	1,529,172	1,818,438
Deduct:		
Depreciation of fixed assets	242,096	223,262
Amortization of preproduction expense	254,391	318,735
Deferred development — portion written off	86,325	212,404
Outside exploration — portion written off	26,358	—
Amortization of debenture discount and expenses	43,310	15,301
Interest on debentures and loans	43,337	83,341
Provincial mining tax	42,000	52,696
	737,817	905,739
NET PROFIT FOR THE YEAR (note 4)	791,355	912,699

Notes to Financial Statements

For the Year Ended December 31, 1967

1. **Fixed Assets**

Plant and equipment and related accumulated depreciation are classified as follows:

	1967			1966
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Buildings and machinery	2,034,380	1,222,214	812,166	961,182
Tools and equipment	393,306	200,223	193,083	215,549
	2,427,686	1,422,437	1,005,249	1,176,731

Consistent with the company's prior years' accounting policy no depletion has been provided in respect of the company's mining property.

2. **Sinking Fund Debentures**

(a) The principal, interest and sinking fund payments due under the debenture agreement are unconditionally guaranteed by the Province of Newfoundland.

(b) The Province of Newfoundland holds a first mortgage on all real and immovable property, and in addition is permitted to hold a first floating charge on all other property and assets during the period when any obligations under the debenture agreement are not satisfied.

(c) Annual sinking fund requirements are as follows:

1968	$300,000
1969	65,000

(d) A distribution of assets or payment of dividends may not be made without the consent of the Province of Newfoundland while any of the debentures are outstanding.

(e) During 1967 $481,000 (1966 — $54,000) principal amount of debentures were purchased and surrendered for cancellation and $235,000 has been applied as a sinking fund credit to 1969 requirements. From December 31, 1967 to February 28, 1968 further purchases amounting to $54,000 have been made.

3. **Contractual Commitment**

The company has a contract to pay an annual minimum amount of $212,500 for electrical power for the life of the mine up to 1971.

4. **Income Taxes**

Because of deductions permitted for tax purposes, it is estimated that there is no liability for income taxes for the year, except for provincial mining taxes.

Statement of Source and Use of Funds

For the Year Ended December 31, 1967

	1967 $	1966 $
Source of Funds		
Net profit for the year	791,355	912,699
Add: Charges not requiring cash outlay —		
Depreciation of fixed assets	242,096	238,417
Amortization of preproduction expense	254,391	318,735
Amortization of debenture discount and expenses	43,310	15,301
Deferred development — portion written off	86,325	212,404
Outside exploration — portion written off	26,358	—
	652,480	784,857
	1,443,835	1,697,556
Proceeds of issue of shares	—	150,000
Decrease in special refundable tax (net)	31,330	—
	1,475,165	1,847,556
Use of Funds		
Special refundable tax	—	71,433
Additions to fixed assets — net	70,614	124,577
Deferred development	58,308	223,171
Outside exploration	—	1,945
Sinking fund debentures purchased for cancellation	479,979	53,373
Transfer of sinking fund debentures to current liabilities	300,000	200,000
Repayment of loan from a shareholder	—	237,498
Increase in inventory of materials and supplies	24,351	4,368
	933,252	916,365
Increase in Working Capital	541,913	931,191
Working Capital — Beginning of Year	1,024,766	93,575
Working Capital — End of Year	1,566,679	1,024,766

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE 366-2551
120 ADELAIDE STREET WEST
TORONTO 1, CANADA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Atlantic Coast Copper Corporation Limited as at December 31, 1967 and the statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.

TORONTO, ONTARIO
February 28, 1968

CHARTERED ACCOUNTANTS

MINE MANAGER'S REPORT

25 March 1968.

The President and Directors,
Atlantic Coast Copper Corporation Limited.

Gentlemen:

A report of operations for the year ended 31st December 1967 is submitted herewith:

Production

A summary for the year, with comparative figures for 1966 is as follows:

	1967	1966
Ore treated	341,322 tons	318,735 tons
Average daily milling rate	935.1 tons	873.2 tons
Average ore grade	1.125 % Cu	1.301 % Cu
% time mill operated	92.92	91.67
Recovery	95.67 %	95.73 %
Concentrate produced	12,344 tons	13,487 tons
Concentrate grade	29.601 % Cu	29.299 % Cu
Gross copper content	7,307,698 pounds	7,903,174 pounds
Gross gold content	617 ounces	674 ounces

Operating Costs

Cost per ton of ore treated, with comparative figures for the year 1966 are tabulated below:

	1967	1966
Development	$0.595	$0.570
Diamond drilling	0.223	0.127
Mining	1.895	1.851
Milling	1.260	1.367
Surface & general	0.849	0.740
General administration	0.130	0.223
Total	$4.952	$4.878
Tons treated	341,322	318,735

Mounting costs of labour and supplies, coupled with additional expenditures for exploration, account for the increased operating costs. However, unit costs were kept within reasonable limits, mainly through treating a greater tonnage.

Mining

A summary of mine development, with comparative figures for 1966 follows:

	1967	1966
Drifting	3,879′	3,546′
Cross cutting	1,587′	3,029′
Miscellaneous excavations	58′	546′
Raising & boxholing	2,866′	2,679′
Shaft sinking	Nil	272′
Station cutting	Nil	61′
Total	8,390′	10,133′
Diamond drilling		
Underground	26,112′	16,384′
Surface	1,375′	Nil

Two ore sections, aggregating 360 feet in length, were opened up by drifting in the North Zone on the 700 level. Shrinkage stopes are being developed on these and results to date indicate average mining widths of approximately 5.0 feet with a grade of 1.5 to 2% copper.

Other sections, outlined by Diamond Drilling, will be investigated later on.

The Main Ore Zone was completey developed on the 1650 level and stope preparation is well advanced at this date. Estimated ore in the block between the 1650 and 1500 levels is 206,000 tons. The reduced tonnage is directly related to intense faulting midway between these openings.

Below the 1650 level, development is still in the preliminary stage and not enough

information is available for an ore estimate at this time.

Exploration

SURFACE — During the last two months of the year, geophysical surveys were done on the property as a continuation of line cutting and preliminary field work begun last spring. Two surface diamond drill holes and one underground diamond drill hole were drilled to explore some of the features indicated by this work.

Several anomalies were defined by a magnetometer survey but most proved uninteresting when subjected to follow up checks. Those remaining will be given more attention.

A survey, using a Ronka E-M16 unit, defined five conductor axes. One of these represents the North Zone; a second was checked with an underground diamond drill hole with negative results; two others will be checked further with a gravimeter, and the fifth has two surface diamond drill holes across it, one of which showed meager sulphides, and the other was blank.

It is our intention to complete the magnetometer and E-M surveys, do a gravimetric survey over the two areas mentioned above, compile all the data, and submit it to a geophysical consultant for a review and recommendations.

UNDERGROUND — Exploration was confined to diamond drilling for extensions of the Main Ore Zone to the east and west, and also below the 1800 level.

A cross cut out to the North Zone, on the 1000 level was completed; and this opening, combined with diamond drilling and limited drifting, has defined two structures in which type and quality of ore is equal to or better than that previously developed in the same zone on the 700 level.

Milling

The mill continued to operate efficiently with little change in the percentage of metal recovery. In comparison with the previous year; average ore grade was down 0.176% copper; tonnage treated increased 22,587 tons (62 tons per day); unit costs decreased $0.107 per ton treated; and the gross copper recovery was 595,476 pounds less.

General

A two year collective bargaining agreement, made with Local 7145, United Steelworkers of America, became effective 1st July, 1967.

Terms affecting costs were: a reduction in the work week from forty-four to forty hours with no loss in take-home pay; a general wage increase of ten cents per hour; time and a half for hours worked in excess of eight in any twenty-four hour period; three additional holidays with pay, bringing the total up to six, and increased vacations for employees with six or more years of

service. The reduction in the work week resulted in an average increase in the number of employees from 166.5 to 178. Wages and working conditions are now on a par with an adjacent property which has been working under an agreement since September 1966.

No new construction was undertaken during the year and equipment additions were limited to replacements for normal wear and tear. A portion of our main water supply line, which is of wood stave pipe, had to be replaced due to excessive leakage.

An all out effort to augment present ore reserves is being vigorously pursued and this will result in increased costs during the coming year.

It is again a pleasure to acknowledge the efficient work and loyal services of the Staff and Employees, as well as the support and co-operation of the Officers and Directors of the Company.

Respectfully submitted,

B. L. JACKSON,
Manager.

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